001856

CITY OF GAINESVILLE
RETIREE HEALTH CARE PLAN

2000 ACTUARIAL VALUATION

SEPTEMBER 2001

Actuarial Concepts

Actuarial Concepts

Management Advisors

Benefits Specialists

September 10, 2001

Mr. Mark S. Benton
Finance Director
City of Gainesville
P. O. Box 490
Gainesville, Florida 32602

Dear Mr. Benton:

This report presents the results of the October 1, 2000, actuarial valuation of the City of Gainesville Retiree Health Care Plan incorporating current Plan provisions and most recently adopted actuarial assumptions. Actuarial Concepts was retained by the City to perform the actuarial valuation and prepare this report.

The major purpose of the valuation is to determine the liabilities and related annual funding for the Retiree Health Care Plan. A summary of results is provided in Section 1. The methodology involved in the valuation process is summarized in Section 2. The recommended contributions to the Plan are presented in Section 3.

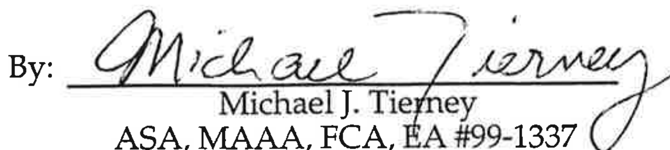
A review of the valuation methodology is important in interpreting the welfare plan expense estimate, as well as in judging its limitations. The valuation is based on employer reimbursement of a certain percentage of average medical premiums, subject to such percentage being earned by a participant based on age at benefit commencement and number of years employed by the City.

The actuarial computations and report have been prepared in accordance with generally accepted actuarial principles and practices, with full reliance on the accuracy and completeness of the information provided for this purpose. The use of the valuation results for financial or administrative purposes, other than those outlined in the report, is not recommended without an advance review by Actuarial Concepts of the appropriateness of such application.

We would be pleased to discuss the results of the 2000 valuation and to provide any additional information that may be desired.

Very truly yours,

ACTUARIAL CONCEPTS

By: 
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SECTION 1

KEY VALUATION RESULTS SUMMARY

The 2000 actuarial valuation of the City of Gainesville Retiree Health Care Plan presents a statement of the financial status of the Plan as of October 1, 2000. Information in the report provides a basis for determining the funding for the retiree medical plan.

Key Results Synopsis

The major conclusions of the report are:

- The Plan experienced an overall actuarial loss over the last 24 months of approximately $4.1 million due to adverse retiree medical claim experience. In addition, adjustments to future expected premiums created an additional increase in unfunded liabilities just under $3.8 million.
- The City and Member contribution rates have significantly increased since the last valuation, due to necessary increases in the retiree medical premium structure. Total City recommended contributions are $3,010,216 or 3.89% of anticipated active member payroll.

Changes Since Last Valuation

The assumed retirement rates have been modified to reflect expected election of retiree medical benefit coverage at the end of DROP participation in both City pension plans. In addition, the assumed retirement rate structure has been modified to be based on when the employee terminates employment, rather than at the point of "retirement" from the pension plans.

The per capita cost structure and premium trend rates are discussed in Section 2, and valuation results are presented in Section 3. Summary of plan provisions is contained in Appendix A and actuarial assumptions and cost methods are described in Appendix B.

SECTION 2
VALUATION METHODOLOGY

Date and Basis of Valuation

Actuarial present values (APVs) of projected medical benefits to be provided by the Retiree Medical Insurance Plan have been estimated as of October 1, 2000, based upon:

1. the provisions of the Plan, as in effect October 1, 2000, as summarized in Appendix A;
2. the actuarial assumptions and actuarial cost method, as summarized in Appendix B; and
3. the participant data provided by the City and Blue Cross Blue Shield of Florida (BCBSF), as summarized in Appendix C.

The employee data has been supplied by the City and BCBSF and provided as accurate for the current active and retiree group. While the employee information was reviewed for overall reasonableness, Actuarial Concepts has relied on the City and BCBSF for this information and does not assume responsibility for either its accuracy or completeness.

The 2000 actuarial valuation presents a statement of the financial status of the Plan as of October 1, 2000. Information in the report provides a basis for determining funding for the retiree medical plan. Results are presented in Section 3.

Changes Since Last Valuation

The assumed retirement rates have been modified to reflect expected election of retiree medical benefit coverage at the end of DROP participation in both City pension plans. In addition, the assumed retirement rate structure has been modified to be based on when the employee terminates employment, rather than at the point of "retirement" from the pension plans. There will be some employees whose "retirement" and termination of employment will be the same, since they can elect to retire before eligibility for DROP. Thus, the retirement rates before DROP eligibility reflect this anticipated behavior. Note however, the employees who elect to retire pre-DROP are assumed not to start medical coverage until age 55, due to the relatively low grid point at the younger ages.

Although deferring medical payments through the DROP period does delay receipt of retiree medical benefits, the combination of premium increases due to assumed escalation in medical costs (medical trend) in combination with increasing grid points do not result in significant additional liability reduction due to delay in receipt, although some decrease does occur. It is only if the DROP period extends the start of medical payments beyond the maximum grid point do significant reductions occur.

Per Capita Cost Structure

The methodology underlying the 2000 APV determinations of the Plan involves determining the discounted present value of a series of future health benefit premiums payable over each current and expected retiree's future remaining lifetime.

Current Plan

In 1995, the City instituted cost-sharing with the retired employees for individual coverage only, based on a formula taking into account age and service at time of retirement. That is, the City pays up to 50% of the individual premium for each insured according to the age/service formula factor of the retiree, i.e., the retiree's benefit accrual rate. Spouses and other dependents are still eligible for coverage, but the employee is responsible for the entire cost; there is no direct City subsidy.

Specifically, the following benefit accrual formula is applied to the individual premium:

- 2% per year for the first 10 years of service
- 3% per year for the next 10 years of service
- 2% per year for each year of service thereafter
- 2% increase for each year older than age 65 at coverage commencement
- 2% reduction for each year younger than age 65 at coverage commencement

The above components combined are limited to 50% (i.e., the City will provide no more than a 50% subsidy).

Premiums for individual coverage for the Plan the Retirees are assumed to elect (Preferred Patient Care with current deductible of $300) are anticipated to be $210.34 per month effective January 1, 2002.

For example, an employee who retires with at least 20 years of service at age 65 would have a subsidy rate of 50%. Under current premium costs, this would mean that the City would pay $105.17 and the employee would be responsible for paying the remaining $105.17 of the total $210.34 premium.

Transition Plan

Every current retiree and current active employee with more than 10 years of service as of April 1, 1995, is eligible for a plan of "transition benefits" that provide increased subsidies over those of the "ultimate" Retiree Health Care Plan.

Assumed Future Cost Escalation and Sharing

The valuation assumes that the City will be responsible for its proportionate percentage share of the future health premiums. The valuation also assumes current premium costs will escalate 8% during 2000-2001 and 2001-2002, reducing to an ultimate level of 7% thereafter. This premium cost escalation would be assigned pro rata to the City and retiree. For a transition employee who retires, for example, at age 65 with 20 years of service, the cost at normal retirement date is split 80%/20%, with the City paying $168.27. Ten years from now, the $210.34 total premium is assumed to escalate to $417.64. The City would be responsible for 80% of this amount, or $334.11.

Assumed behavior regarding the future increases in the retiree-paid premium is significant in the estimation of future costs. As indicated above, this valuation analysis assumes that the percentage of current total costs that the current retiree premium represents would continue to exist in the future as costs (and related premiums) are increased. If total medical costs were to increase 15%, this valuation projection assumes that the retiree portion would also be increased by 15%, thus keeping the employer portion of the total cost intact.

It should be kept in mind that actual cost estimates for the retiree participant are expected to be higher than costs for active employees. However, since medical costs are averaged for all groups combined, the resultant average premium reflects a rate that is less than the actual retiree expected costs, but more than the expected active participant costs. Note that these average premiums are used to project future health premiums for currently active employees but to be applicable only after retirement.

Premium Trend Rate

The premium trend rate is assumed to be 8% for fiscal years 2000-2001 and 2001-2002 and assumed to reduce to an ultimate level of 7% in 2002-2003.

The premium cost trend rate is an assumption about the annual rate of change in the per capita cost of health care benefits provided by the Plan. It implicitly considers estimates of medical cost inflation, changes in utilization and technological improvements.

In determining an appropriate medical cost inflation rate, the medical care component of the Consumer Price Index for Urban Consumers (CPI-U) was analyzed. The following table shows the levels of the CPI-U indices for "all items" and "medical care" only during December for the most recent 10 years:

CPI-U (1967=100) (Unadjusted)	All Items	% Change	Medical Care	% Change
December 1990	400.9		601.0	
December 1991	413.0	3.0%	648.5	7.9%
December 1992	425.2	3.0%	691.3	6.6%
December 1993	436.8	2.7%	728.6	5.4%
December 1994	448.4	2.7%	764.3	4.9%
December 1995	459.9	2.5%	794.1	3.9%
December 1996	475.0	3.3%	817.9	3.0%
December 1997	483.2	1.7%	840.8	2.8%
December 1998	491.0	1.6%	869.4	3.4%
December 1999	504.1	2.7%	901.6	3.7%

The increases in these indices from December 1990 to December 1999 were 25.7% (2.6% per year) for "all items" and 50.0% (4.6% per year) for "medical care" items. Therefore, during this period, the increase in costs for medical care is 177% of the CPI taken as a whole.

While this comparison is one measure of the increase in the cost of medical care, it is probably not a good measure of the cost increase experienced by group health plans. The medical care component of the CPI reflects how individuals spend their health care dollars, including the retiree payment of health insurance. Not reflected in this component is the amount of employer contributions nor the effect of increased use of

health facilities. Neither does this component reflect the leveraged effect of employer-absorbed increases in total costs.

In addition to increasing prices, there are other factors affecting the costs of group health plans that result in cost increases exceeding the medical care component of the CPI:

1. Increased utilization, both in the frequency of services and in the scope or intensity of those services.

2. Cost shifting, resulting from the lack of full reimbursement to providers by Medicare and Medicaid.

3. Cost leveraging where, due to annual deductibles and coinsurance provisions, Plan costs increase more than medical expenses increase (e.g., if deductibles and coinsurance limits are frozen, a 10% increase in medical expenses might lead to a 15% increase in Plan costs).

In the late 1980s and early 1990s, most group health plans experienced cost increases of approximately 15–20% per year. This trend then slowed during the mid- to late 1990s due to the continuing widespread implementation of cost containment features (e.g., pre-admission certification and concurrent review, increased deductible and coinsurance levels, restricted weekend admissions and mandatory second opinions on elective surgery). Recently there has been renewed escalation in costs as medical expenses have increased more rapidly than before, and consolidation in health providers has resulted in a somewhat less competitive market. Many group health insurers continue to anticipate cost trends in excess of the medical component of the CPI.

Until recently, the City's medical experience was consistently below the assumed medical cost increase trend. However, the premium structure to be applicable starting January 1, 2002, provides for significant increases over the assumed medical trend premium. Based on the assumed medical trend, the October 1, 2000, medical premium was projected at $170.60, and the extrapolated October 1, 2000, premium based on the new premium structure is $194.76. Over the last five years the assumed medical trend

averaged 10.19% increase, compared to the current premium basis which averaged 13.15% over the same period.

Over the last nine years, the average rate of increase of the medical component of the CPI was 4.6%, and recent rates of increase have still been below the nine-year average. For valuation purposes, we have assumed the health care cost trend rate ultimately settles at 175% of a 4% long-term rate of inflation or 7.0%.

SECTION 3
RECOMMENDED FUNDING

Funding Approach

The Entry Age Actuarial Cost Method was used. This method assigns total projected costs as a level percent of pay over each employee's anticipated work years. The funding arrangement consists of two components: one, an ongoing cost (called normal cost), and the other, a temporary cost to provide for payment of costs assigned to prior years but not funded during those years (called amortization payment).

Valuation Components

Actuarial Present Value (APV) of Future Benefits

The APV of future benefits is determined by first measuring what future subsidy would be available for each employee at various future dates (assuming future service credits earned and expected age at retirement) upon retirement or disablement. Then the future value of those benefit entitlements is determined by multiplying the various subsidy amounts by the then current value of the annuities associated with those amounts. Finally, the APV of those future benefit values is determined by applying discounts to recognize the time value of money and probabilities of death, withdrawal, termination of employment, etc.

APV of Total Future Normal Costs

The APV of future normal costs is that portion of the total APV of future benefits, as described above, that is assigned to future plan years by the Entry Age Actuarial Cost Method (described in Appendix B).

Actuarial Accrued Liability (AAL) and Unfunded Actuarial Accrued Liability (UAAL)

The AAL and the UAAL (the AAL less the actuarial value of assets) are actuarial values generated under the Entry Age Actuarial Cost Method, as described in Appendix B. These liability amounts are not the APV of benefits accrued to date by employees. They are actuarially determined amounts based on the accrual of Entry Age normal cost amounts due prior to the valuation date.

Normal Cost

The normal cost represents the ongoing long-term estimate of costs for the proposed schedule of City subsidies. It has been derived as a level percentage of each year's anticipated payroll. As determined by the Entry Age Actuarial Cost Method, it represents the current year's allocation of the APV of total future normal costs. In the absence of actuarial gains or losses, changes to the Plan or changes in the characteristics of the participating group, the normal cost percentage is expected to remain level over time, and the normal cost amount is expected to increase as payroll increases.

Amortization Payment

The amortization payment is a temporary payment that will disappear at the end of the amortization period. It represents the funding of normal costs assigned to past periods. Once the past normal costs have been funded, amortization payments stop. The UAAL is being amortized over a period of 20 years from October 1, 1994. The amortization incorporates the assumption that Plan payroll will grow at the rate of 4% per year over the 20-year period. Starting from October 1, 2004, the changes in the UAAL due to plan changes, assumption changes or plan experience will be amortized over 10 years from inception.

Recommended City Contribution

The recommended funding of the City's Retiree Health Care consists of the ongoing normal cost plus the amortization payment associated with the 20-year funding of the UAAL.

Plan Experience

Adverse claims experience has served to increase significantly the Plan liabilities over that previously expected. The actual costs charged to the retiree medical fund were substantially in excess of the premiums allocated to the City and retirees. This as well as other adverse demographic plan experience has resulted in a $3.4 million actuarial loss. (Additional losses of $0.4 million occurred due to investment earnings less than assumed and $0.3 million due to expenses paid by the Plan that were not provided for in the assumptions.)

Prospectively, the increase in future premiums over the anticipated medical trend rate increased actuarial liabilities an additional $3.8 million. The change in retirement rate assumptions served to decrease actuarial liabilities by $0.5 million.

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

Valuation Financial Values

1.	Actuarial Present Value (APV) of Future Benefits		
	(a)	Active Employees with less than 10 Years of Service	$ 2,780,452
	(b)	Active Employees with between 10 and 20 Years of Service	6,997,561
	(c)	Active Employees with at least 20 Years of Service	7,750,088
	(d)	Current Retirees and Disableds	15,900,455
	(e)	Total	$ 33,428,556
2.	APV of Future Normal Costs		3,617,460
3.	Actuarial Accrued Liability [(1)-(2)]		
	(a)	Active Employees with less than 10 Years of Service	$ 947,734
	(b)	Active Employees with between 10 and 20 Years of Service	5,600,569
	(c)	Active Employees with at least 20 Years of Service	7,362,338
	(d)	Current Retirees and Disableds	15,900,455
	(e)	Total	$ 29,811,096
4.	Actuarial Value of Assets		4,674,726
5.	Unfunded Actuarial Accrued Liability [(3)-(4)]		
	(a)	Active Employees with less than 10 Years of Service	$ 947,734
	(b)	Active Employees with between 10 and 20 Years of Service	5,600,569
	(c)	Active Employees with at least 20 Years of Service	7,362,338
	(d)	Current Retirees and Disableds	11,225,729
	(e)	Total	$ 25,136,370
6.	Normal Cost		$ 455,427
	Normal Cost Rate		0.59%
7.	UAAL Amortization Payment		$ 2,554,789
	UAAL Amortization Payment Rate		3.30%
8.	Total Recommended Contribution [(6)+(7)]		$ 3,010,216
	Percentage of Payroll		3.89%

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

Development of Unfunded Actuarial Accrued Liability (UAAL)

1.	UAAL as of 9/30/1998	$ 19,387,626
2.	Normal Cost	346,134
3.	Interest on (1) to 9/30/1999	1,744,886
4.	Contributions	2,659,894
5.	Interest on (4) to 9/30/1999	119,695
6.	Expected UAAL as of 9/30/1999 [(1)+(2)+(3)-(4)-(5)]	$ 18,699,057
7.	Normal Cost	359,979
8.	Interest on (6) to 9/30/2000	1,682,915
9.	Contributions	2,833,074
10.	Interest on (9) to 9/30/2000	127,488
11.	Expected UAAL as of 9/30/2000 [(6)+(7)+(8)-(9)-(10)]	$ 17,781,389
12.	Changes in UAAL due to:	
	(a) Premium Update	3,763,285
	(b) Assumptions Changes	(526,503)
	(c) Actuarial (Gain)/Loss	4,118,199
13.	UAAL as of 10/01/2000 [(11)+(12a)+(12b)+(12c)]	$ 25,136,370

SECTION 4

OTHER CONSIDERATIONS

Risks and Limitations

Although the valuation results are based on what we believe to be reasonable assumptions, the valuation result is only an estimate of what future costs might actually be. Deviations in any of several factors influencing valuation results could result in actual costs being greater (or less) than estimated. Some of these factors include:

1. Future interest discounts lower than that assumed. We have assumed a long-term rate of interest of 9% per annum. To the extent that actual interest discounts are lower than 9%, the Plan's cost will be higher. (Note that the contrary is also true; that if actual interest rates are greater than 9% in the future, the Plan's cost will be less.)

2. Medical cost inflation risk. In our opinion, the major risk associated with the valuation estimate is that medical costs may continue to significantly exceed the underlying CPI rate. As described in Section 2, historically the medical cost rate has been substantially greater than the underlying CPI rate. If medical cost inflation is greater than assumed, Plan costs will be higher than estimated. For example, if medical cost increases were to reach an ultimate level of 8% per annum (rather than 7% per our assumptions), then we would expect net periodic postretirement benefit cost of approximately 20% more than that estimated.

3. Medicare coverage risk. We have assumed that the Medicare coverage structure would continue to be available to the City retirees. We think it likely that Medicare will continue to exist. However, it is unlikely that the coverage structure currently available will be available indefinitely. To the extent that Medicare substantially changes its reimbursement procedures (i.e., providing substantially lower Medicare equivalent benefits the City will be forced to revise its coverage structure). There is a very substantial risk that Medicare may be forced to decrease its retiree coverage structure in order to make adequate provision for its costs.

4. Marriage risk. All retirees were assumed to maintain their current marital status after retirement; therefore, health costs applicable to current circumstances will be applicable to future retirees. Of course, it is unlikely that no retirees will have changes in their marital status, and therefore this assumption may somewhat misstate the liability.

True Costs

The true costs of a retiree health plan cannot be determined until its future unfolds. No one can precisely predict the participant utilization rates, future health cost levels, mortality experience, etc. A reasonable approximation of this true cost can be provided through actuarial estimates based on past experience with similar groups and on the judgment of the actuary and plan sponsor.

As actual experience emerges under the Plan, the continued appropriateness of the techniques and assumptions employed should be examined, with modifications made as judged necessary, and the liability estimate adjusted consistent with the revised assumptions.

APPENDIX A

PLAN PROVISIONS SUMMARY

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

SUMMARY OF PLAN PROVISIONS THAT AFFECT THE VALUATION

Definitions

1. Plan Year: October 1 to September 30.

2. Employees Eligible to Receive Benefits: Any Employee terminating employment under the Normal, Early or Delayed Retirement provisions of the City of Gainesville General Employees' Pension Plan or the Consolidated Police Officers' & Firefighters' Retirement Plan; or who received benefits under the ICMA deferred compensation plan and who would have met retirement conditions under either retirement plan; or who becomes eligible to receive benefits under the City of Gainesville Disability Plan. If the employee is married at date of retirement or disablement, benefits are payable for each covered individual for life or until a surviving spouse becomes eligible for other coverage. Benefits are payable for dependent children until age 19 or extended benefits up to age 25.

3. Credited Service: The number of full and fractional years of employment, plus any unused sick leave.

4. Retirement Date:

   General Plan
   Normal Retirement Eligibility Date—the earlier of age 65 with 10 years of Credited Service and 20 years of Credited Service at any age.
   Early Retirement Eligibility Date—the attainment of age 55 with 15 years of Credited Service.

   Consolidated Plan
   Normal Retirement Eligibility Date—the earlier of age 55 with 10 years of Credited Service and 20 years of Credited Service at any age.
   Early Retirement Eligibility Date—none.

5. Benefit Accrual Percentage: While actively employed by the City, eligible employees accrue a percentage the City will pay toward their individual Retiree Health Care Plan premium, which percentage is determined as follows:

- 2% per year for the first 10 years of service, plus
- 3% per year for the next 10 years of service, plus
- 2% per year for each year of service beyond 20, plus
- 2% per year for each year older than age 65 at coverage commencement, less
- 2% per year for each year younger than age 65 at coverage commencement

provided that the percentage does not exceed 50%.

Benefits-Preferred Patient Care Plan

1.	Deductible:	$300 per insured per plan year; no deductible is required after two family members have met the individual deductibles.
2.	Out-of-Pocket Maximum:	$1,500 per plan year per individual insured.
3.	Coordination of Benefits:	Plan has Medicare carve out; assumes retiree has Medicare Parts A and B. Plan percentage applied to net of covered expenses less Medicare payments.
4.	Hospital, Physician/Surgeon, X-ray/Lab Services:	80% after deductible.
5.	Outpatient Surgery:	80% after deductible.
6.	Accident Benefit:	80% no deductible..
7.	Nursing, Hospice/Home Health Care:	80% after deductible.
8.	Prescription Drug:	Rx Card – Three Tier Generic $15 co-pay Preferred brand name $30 co-pay Non-preferred brand name $50 co-pay
9.	Oral Dental Surgery:	80% after deductible.
10.	Mental/Nervous:	80% after deductible; inpatient 40 days per calendar year; outpatient $2,000 per calendar year.
11.	Lifetime Maximum:	$3,000,000.

Basic Cost-sharing Provisions

The City will pay up to 50% of the actuarially determined future medical premiums for current and future retirees. No benefits are provided for spouses and dependent children. Note certain additional benefits may be available for current retirees and spouses/dependents as well as for current active employees with 10 or more years of service under the transition plan.

Retirement

Employee Contribution: Retired employees pay monthly premiums for 100% of the spouse/dependent premium and their remaining share of the individual premium once the City pays the portion determined under the benefit accrual formula.

Disability

Employee Contribution: Disabled employees pay monthly premiums for 50% of the total premium; the City pays the remainder.

Transition Cost-sharing Provisions

For Retirees as of April 1, 1995

1. Increase maximum benefit accrual percentage from 50% to 80% for single coverage and 155% for Family coverage.
2. Increase the Benefit accrual percentage by 8 percentage points for each year that age at 4/01/95 exceeds 65.
3. Increase Credited Service by 10% for each year of service over 10 to a maximum increase of 100%.
4. Provide minimum Benefit Accrual Percentage of 50%.
5. Provide minimum Benefit Accrual Percentage of 80% for single coverage and 75% toward dependent coverage for disabled retirees.

For Active Employees Eligible for Retirement as of April 1, 1995

1. Increase maximum benefit accrual percentage from 50% to 80% for single coverage and 155% for family coverage.
2. Increase the Benefit accrual percentage by 8 percentage points for each year that age at 4/01/95 exceeds 65.
3. Increase Credited Service by 10% for each year of service over 10 to a maximum increase of 100%.

4. Provide minimum Benefit Accrual Percentage of 35%.

For Active Employees as of April 1, 1995, Not Eligible for Retirement

1. Increase maximum benefit accrual percentage from 50% to 80% for single coverage and 155% for family coverage.
2. Increase the Benefit accrual percentage by 8 percentage points for each year that age at 4/01/95 exceeds 65.
3. Increase Credited Service by 10% for each year of service over 10 to a maximum increase of 100%. For employees with less than 10 years of service at 4/01/95 no service adjustment would apply.

APPENDIX B

ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD SUMMARY

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD SUMMARY

Actuarial Assumptions

1. Discount Rate: 9% per annum, compounded annually, net of investment expenses.

2. Health Care Cost Trend Rate: 8% in 2000 and 2001, reducing to an ultimate level of 7% in 2002.

Year	Increase in Net Cost of Plan's Health Care Benefits
2000	8.0
2001	8.0
2002 & later	7.0

3. Mortality Rates: 1983 Group Annuity Mortality Table:

	Probability of Death Within One Year After Attaining Age Shown	
Age	Male	Female
25	0.05%	0.03%
35	0.09	0.05
45	0.22	0.10
55	0.61	0.25
65	1.56	0.71

4. Withdrawal Rates: General/GRU Employees

	Probability of Terminating Service (for reasons other than death, disability or retirement) Within One Year After Attaining Age Shown	
Age	Male	Female
25	14.2%	16.4%
35	8.9	11.1
45	7.6	9.8
55	5.2	7.4

Police/Fire Employees

Age	Probability of Terminating Service (for reasons other than death, disability or retirement) Within One Year After Attaining Age Shown	
	Male	Female
55	10.0%	10.0%
57	6.0	6.0
60	3.0	3.0
62	0.0	0.0

5. Disability Rates:

Age	Probability of Disability Within One Year After Attaining Age Shown	
	General/GRU	Police/Fire
25	0.15%	0.30%
35	0.26	0.53
45	0.62	1.23
55	1.82	3.64

6. Modified Retirement Rates*:

Probability of Retiring Within One Year After Attaining Age and Service Shown

General/GRU Employees

Age	Years of Service						
	0 – 9	10 – 19	20	21 – 26	27 – 31	32 - 34	35+
56 and Under	0.0%	0.0%	7.5%	2.5%	2.5%	25.0%	100.0%
57-59	0.0	0.0	7.5	2.5	2.5	35.0	100.0
60-64	0.0	0.0	20.0	20.0	2.5	40.0	100.0
65 and Over	0.0	100.0	100.0	100.0	100.0	100.0	100.0

Police/Fire Employees

Age	Years of Service					
	0 – 9	10 – 19	20	21 – 24	25 – 29	30+
40 - 54	0.0%	0.0%	2.5%	2.5%	2.5%	100.0%
55-59	0.0	20.0	20.0	2.5	2.5	100.0
60-64	0.0	100.0	100.0	45.0	2.5	100.0
65 and Over	0.0	100.0	100.0	100.0	100.0	100.0

*All retirees were assumed to have retiree medical coverage start at the later of retirement and age 55.

7. Dependent Coverage and Ages:	Retiring participants were assumed to elect the same coverage they currently have under the City Health Care Plan while active employees. Actual current coverage was used and status was assumed to continue.
8. Growth Rate of Future Active Employee Payroll:	4% per year.
9. Actuarial Value of Assets:	Market value.
10. Current Premium Rate:	$210.34 per month
11. Medical Plan Elected:	Preferred Patient Care
12. Expenses:	Assumed payable outside the Plan.

Actuarial Cost Method

The Entry Age Actuarial Cost method was used. Under this method, the cost of each employee's projected premium subsidy is funded through a series of annual payments, determined as a level percentage of each year's earnings, from age at hire to assumed exit age. This level percentage, known as normal cost, is thus computed as though the Plan had always been in effect. The accrued value of normal cost payments due prior to the valuation date is termed the actuarial accrued liability (AAL). This amount minus actuarial value of assets is known as the unfunded actuarial accrued liability (UAAL). The annual cost of a plan consists of two components: normal cost and a payment, which may vary between prescribed limits, toward the UAAL.

Actuarial gains (or losses), a measure of the difference between actual experience and that expected based upon the actuarial assumptions during the period between two valuation dates, as they occur, reduce (or increase) the UAAL.

It is intended that the UAAL be amortized over a 20-year period from October 1, 1994, through monthly contributions expressed as a level percentage of each month's total payroll, incorporating an assumption that future payroll will grow at the rate of 4% per year. Payments were assumed to begin on October 1, 1994, and to continue monthly for the 20 remaining years. Changes in the UAAL resulting from actuarial gains or losses, or changes in actuarial assumptions, will be amortized over the remaining portion of the 20-year period, but not less than 10 years.

Miscellaneous Valuation Procedures

The expected premium for Preferred Patient Care as of January 1, 2002 of $210.34 was discounted at the medical trend rate to establish the rate applicable as of October 1, 2000 for valuation projection purposes.

Changes in Actuarial Assumptions Since Prior Valuation

The assumed retirement rates have been modified to reflect expected election of retiree medical benefit coverage at the end of DROP participation in both City pension plans. In addition, the assumed retirement rate structure has been modified to be based on when the employee terminates employment, rather than at the point of "retirement" from the pension plans.

APPENDIX C

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

FUND BALANCE AS OF 9/30/2000

Equity in Pooled Cash	$ 4,842,726
Accounts Payable	$ 168,000
Fund Balance	$ 4,674,726

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

ANALYSIS OF CHANGE IN ACTUARIAL VALUE OF ASSETS

Actuarial Value of Assets as of 9/30/1998	$ 3,469,916
Add:	
General Government Contributions	1,329,727
GRU Contributions	754,399
Retiree Contributions	575,768
Gain/(Loss) on Investments	233,169
Unrealized Gain/(Loss) on Investments	(79,791)
Miscellaneous	19,342
Transfers In/(Out)	(34,008)
Total Additions	$ 2,798,606
Deduct:	
General Government Claims	1,071,826
GRU Claims	733,463
Administrative Expenses	111,351
Stop Loss Insurance	93,601
Contract Services	12,052
Total Deductions	$ 2,022,293
Invested Assets as of 9/30/1999	$ 4,246,229
less Accounts Payable	$ 188,698
Actuarial Value of Assets as of 9/30/1999	$ 4,057,531
Add:	
General Government Contributions	1,373,869
GRU Contributions	773,014
Retiree Contributions	686,191
Dividends	2,454
Gain/(Loss) on Investments	257,875
Unrealized Gain/(Loss) on Investments	(6,744)
Gain/(Loss) on Mutual Funds	42,219
Miscellaneous	(20,698)
Transfers In/(Out)	(39,000)
Total Additions	$ 3,069,180
Deduct:	
General Government Claims	1,517,855
GRU Claims	877,668
Contract Services	8,381
Administrative Expenses	68,779
Total Deductions	$ 2,472,683
Invested Assets as of 9/30/2000	$ 4,842,726
Less Accounts Payable	168,000
Actuarial Value of Assets as of 9/30/2000	$ 4,674,726

APPENDIX D

CENSUS DATA

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

SUMMARY OF CENSUS DATA USED IN THE VALUATION

The data used in the actuarial valuation was furnished by The City current as of October 1, 2000. A summary of the data follows:

1.	Future Retirees Under Age 65	
	(a) Currently Eligible Upon Retirement	289
	(b) Not Yet Eligible	1,301
	(c) Total	1,590
2.	Future Retirees Over Age 65	4
3.	Retired Participants Receiving Benefits	
	(a) Under Age 65	292
	(b) Age 65 and Over	210
4.	Disabled Participants Receiving Benefits	16
5.	Spouses Receiving Benefits*	231
6.	Other Dependents Receiving Benefits*	50
7.	Total Number of Participants and Dependents Included in Valuation	2,393

Statistical breakdowns for future retirees by age and service are presented on the following page.

* Includes all spouses and dependents with coverage, regardless of City contributions.

DISTRIBUTION OF FUTURE RETIREES BY ATTAINED AGE AND COMPLETED YEARS OF SERVICE AS OF 10/01/2000

	Completed Years of Service											
Attained Age	0	1	2	3-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Under 25	19	17	14	2	3	0	0	0	0	0	0	55
25-29	19	20	25	24	32	0	0	0	0	0	0	120
30-34	23	14	24	25	66	35	5	0	0	0	0	192
35-39	16	11	15	30	57	87	58	2	0	0	0	276
40-44	15	11	14	19	41	68	94	27	9	0	0	298
45-49	9	11	13	23	31	51	77	27	40	5	0	287
50-54	8	5	9	7	22	40	36	32	56	15	0	230
55-59	8	1	3	1	11	21	21	8	17	7	2	100
60	0	0	0	0	1	1	5	0	2	1	0	10
61	0	0	1	0	2	1	1	1	2	0	0	8
62	0	0	1	1	0	0	1	1	0	1	0	5
63	0	0	0	0	2	1	3	1	0	0	0	7
64	0	0	0	0	0	2	0	0	0	0	0	2
65 & Over	0	0	0	0	2	1	0	0	0	1	0	4
Total	117	90	119	132	270	308	301	99	126	30	2	1594